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SUBJECT: NINEWA: UPDATE ON AL-MISHRAQ SULFUR PLANT

REF: BAGHDAD 2052

Classified By: Ninewa PRT Leader Alexander Laskaris for reasons 1.4 (b&d)

This is a Ninewa Provincial Reconstruction Team (PRT) message.

11. (C) According to the facility's deputy manager, the al-Mishraq Sulfur Plant north of Qayyarah, Ninewa, has sold almost the entire stockpile of sulfur that had been mined before a catastrophic fire closed the plant in 2003. The deputy manager reported that the unrefined 70 to 80 percent pure sulfur "foam" that makes up the bulk of these sales currently sells for up to USD 150/ton. While the deputy manager had in June been unsure who was buying the product (reftel), he said during a July visit that the buyers are from Turkey, Syria and Jordan. He said the Minister of Industry and Minerals had expressed to him his displeasure that Coalition Forces had been visiting the plant during the period this product was sold. Our challenge is to help the Iraqi institutions benefit from this valuable asset while ensuring that it does not become a source of income for terrorists or corrupt insiders.

12. (C) Sales of the stockpile since December have resulted in revenue of about USD 50 million, which would be enough to finance rehabilitation of the plant's damaged water pumping system. The deputy manager said employment at the plant has already returned to its pre-2003 level of 1,850 and could rise to as many as 5,000 if he were given the authority to rebuild completely and exploit two additional sulfur fields on the east side of the Tigris.

13. (C) The deputy manager said he understood the Ministry of Industry and Minerals began 10 July reviewing ten bids for companies interested in joint venture, production sharing "partnerships" with the sulfur plant. (Embassy Comment: MIM reports receiving six bids on the factory. End Embassy Comment.) The companies include Crescent Technology Inc. (the successor company to Freeport McMoran, the U.S. firm that built the facility in the 1970s), and the Polish firm Centrozat, which built one of the facility's now-defunct refining operations. According to the information from Crescent Technologies, the company is carefully reviewing the current state of the plant and has expressed cautious enthusiasm in competing for these joint venture contracts, which require foreign investors to rehabilitate the plant and manage operations. Crescent views al-Mishraq as a world-class deposit, but believes that fully rehabilitating and operating the plant would require substantial investment.

14. (C) Comment: Businesses in Ninewa Province are subject to criminal and terrorist intimidation; as their profits rise, their vulnerability to protection rackets also increases. While developments at the al-Mishraq plant are potentially good news for future investment, our policy challenge is to ensure that the benefits of this asset accrue to the Iraqi people, not the insurgents who prey on them. Bringing in

foreign investment and management expertise to the plant will certainly help it to reach full production capacity, but a key factor will be how much control MIM is willing to cede.

End Comment.

CROCKER